

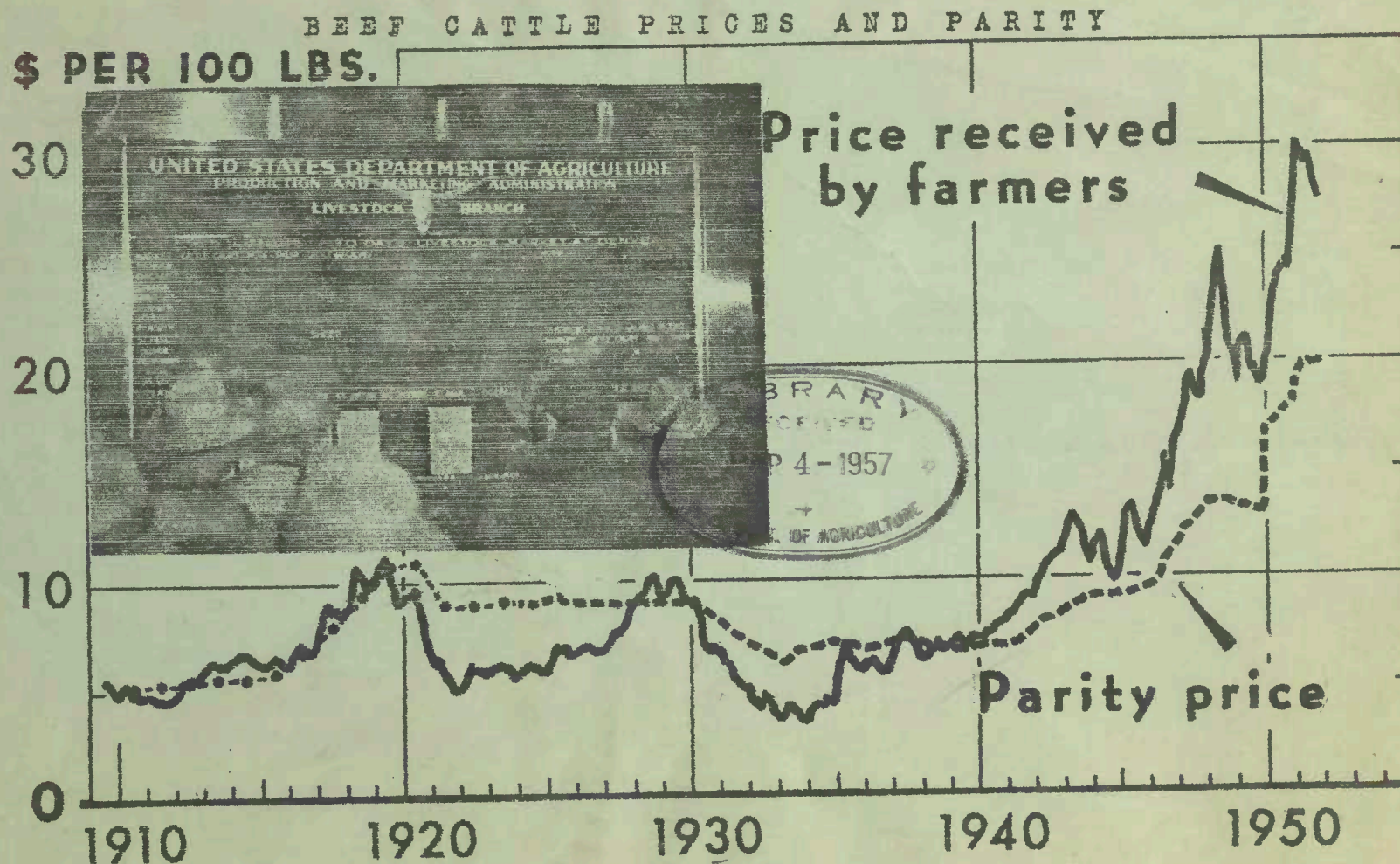
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PROBLEMS IN MARKETING WESTERN LIVESTOCK

Supplementary Data.

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REGIONAL AGRICULTURAL MARKETING ACT / STATE MARKETING SERVICES CONFERENCE  
St. Louis, Mo., December 3, 1952 //



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U.S. ✓  
Harold Abel  
Coordinator, Western Livestock Marketing Research Technical Committee. //  
Bureau of Agricultural Economics, U. S. Department of Agriculture  
5a Denver //

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## I. IMPORTANT CHANGES IN METHODS OF MARKETING LIVESTOCK

The livestock industry is extremely "dynamic" in character. In other words, it is subject to almost constant change. Many changes appear in the short-run, day-to-day activity of the market. Others appear over longer pull. Some changes have only a limited impact, while others are significantly important. Most changes can be traced to economic forces.

Greater effort is needed on the part of livestock producers, livestock marketing men, and research workers, to determine causes and possible effects of such changes. The livestock industry will benefit from such studies.

### A. Decentralization in Livestock Marketing

Decentralization in livestock marketing, which has occurred over the last twenty-five years, has expressed itself in several ways:

1. Decentralization in the buying and selling activity is evidenced by:
  - a. Increase in the number of local auction markets. This is illustrated by an increase of 80% in the U. S. and 283% in the Western number of such markets during the last twelve years. (See Map No. 1.)
  - b. Gradual decline in the relative importance of terminal markets. This is illustrated by the decline in the percentage of federally-inspected slaughter livestock marketed through terminal public markets. (Chart No. 2.)

Map No. 1

## LIVESTOCK AUCTION MARKETS, 1937



U. S. DEPARTMENT OF AGRICULTURE

NEG. 46364-X BUREAU OF AGRICULTURAL ECONOMICS

## LIVESTOCK AUCTION MARKETS, 1949



U. S. DEPARTMENT OF AGRICULTURE

NEG. 46365-X BUREAU OF AGRICULTURAL ECONOMICS

c. Increase in country buying (direct selling). This is illustrated by the proportion of the total sales of feeder cattle going to auctions or dealers, or direct to farmers, ranchers, or feeders. (Chart No. 1.)

## B. Decentralization of Slaughtering Plants

Since 1925 the tendency has been for more and more livestock to be slaughtered at interior points which are removed geographically from the large terminal markets. (Chart No. 2.)

Livestock are a perishable commodity, requiring feed and water while in transit. There is considerable loss of weight in the slaughtering process, and shrink, sickness, and death occur when animals are moved. These factors are continually at work to encourage slaughter near production areas.

Offsetting factors make it advantageous to slaughter near consuming areas or in some area remote from production centers. For example, freight rates and the kosher trade may encourage the shipment of live animals instead of meat to consuming centers.

Chart No. 1

Market Outlets Used by Western Range Operators in Selling Feeder Cattle, 1948-1949

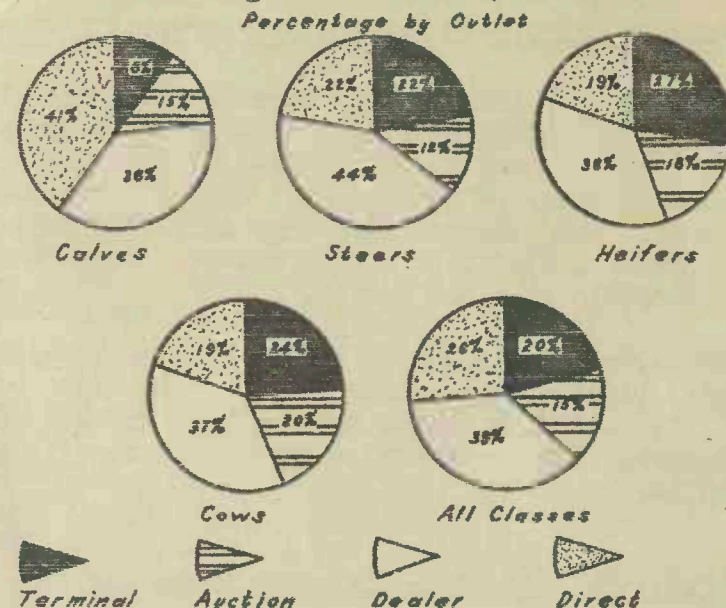
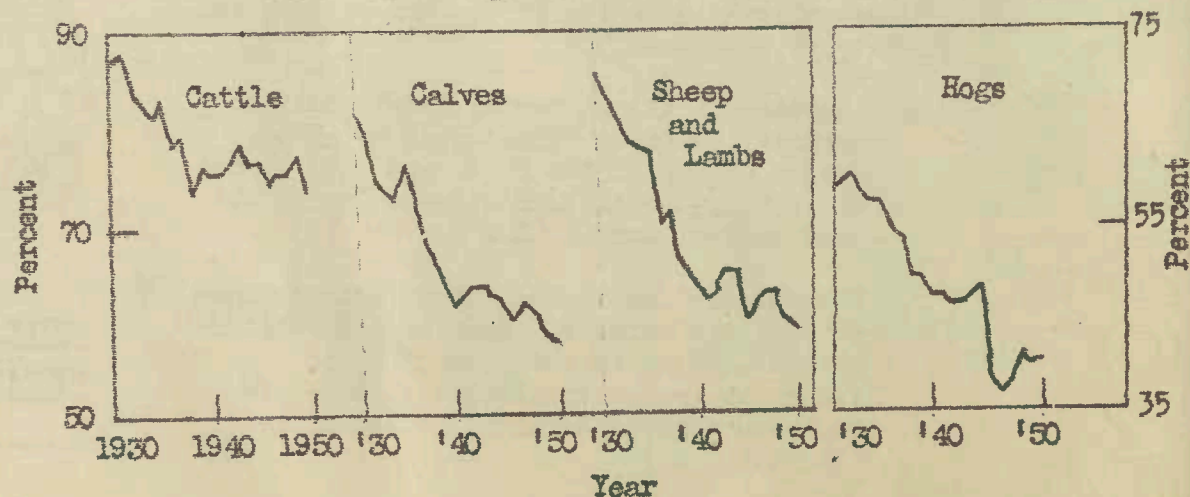


Chart No. 2

Percent of Federally-Inspected Slaughter Livestock Marketed Through Terminal Public Markets, 1930-1950





C. What Marketing Channels are Being Used by Western Producers?

Chart No. 3. In 1949 the relative importance of each marketing channel varied by areas within the Western Region. On the Pacific Coast a higher percentage of the total movement was direct to packers from producers. Thirty-six percent of the total moved in this manner, compared to only seven percent in the Intermountain States. In the Intermountain Area, where feeder cattle are important, local sales to auctions and country sales predominated.

The chart illustrates only the difference in the total pattern of movement. A specific class of animal, such as calves, would have its own separate pattern of movement, dairy cattle another, and so on.

Percentages shown inside each circle indicate the relative importance of each outlet or marketing channel used. Farmers and ranchers are identified as the sole source or origin for the entire movement, and purchases by packers, farmers, feeders, and others.

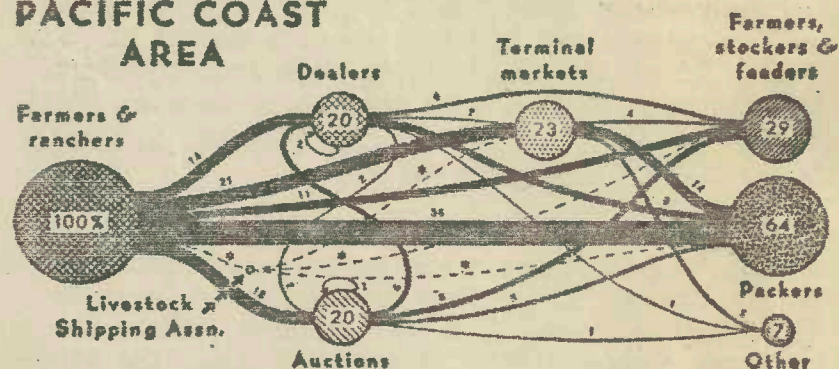
The importance of each channel also varies somewhat by years. For instance, in the Intermountain Area in 1952 business at auctions and terminal markets increased, while country trading generally declined.

An overall summary for the West indicates that a shift has occurred in the relative importance of the different outlets. Farmers and ranchers now sell a smaller proportion of their total marketings to terminal markets. The importance of sales to packers, feeders, and dealers, and at auctions has increased.

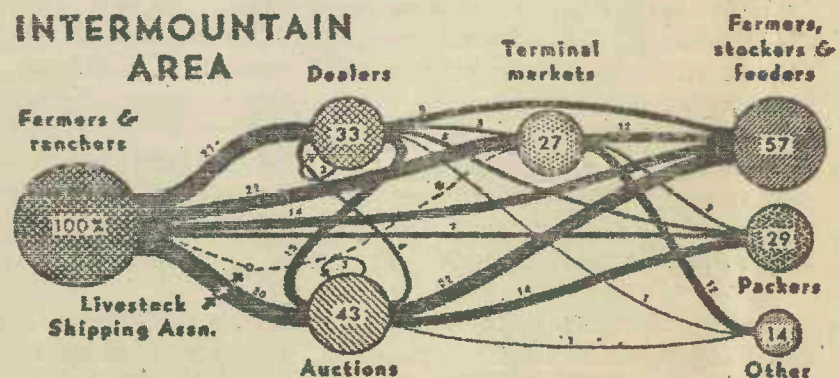
Chart No. 3

## MARKETING CHANNELS FOR CATTLE AND CALVES, 1949

### PACIFIC COAST AREA



### INTERMOUNTAIN AREA



\* LESS THAN 1 PERCENT

ALL FIGURES EXPRESSED IN TERMS OF TOTAL VOLUME

B.A.E. 40434-X

#### D. Impact of Population Growth on Livestock Marketing in the West.

With an estimate of 190 million people in the United States by 1975, Western population is expected to approximate 39 million. This is 12 million more persons than we had in 1950. (Chart No. 5.)

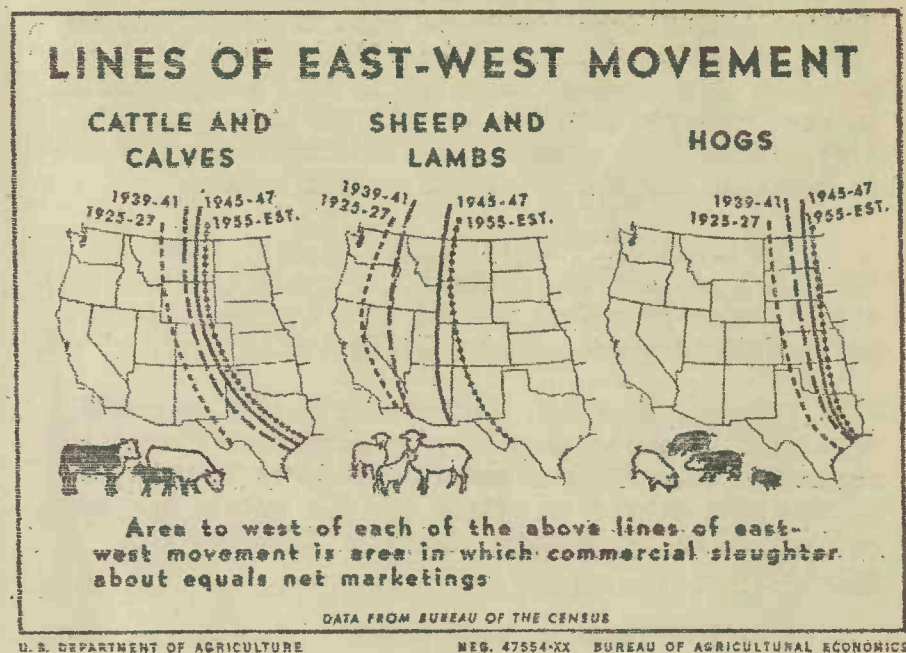
If consumption of meat per person is to stay at the present level, this additional population will require about 1.7 billion more pounds of meat. If all this meat is to come from the West, it will mean that we will have to produce an additional 1,900,000 cattle, 900,000 calves, 2,600,000 hogs, and 2,400,000 lambs.

The Pacific Coast States of California, Oregon, and Washington are deficit livestock-producing States, i.e., they consume more livestock than they produce. This situation is likely to continue through 1975. Except for hogs, the other nine Western States produce a surplus. This situation will also continue, but the extent of the surplus in these States will probably continue to shrink.

To illustrate the trend, Western slaughter requirements were 55 percent of total Western production of meat animals in 1924-28, but by 1946-50 these had increased to 86 percent.

The inroads being made by Western packers on the slaughter animal supplies of Western States is brought out in Chart No. 4. The area to the west

Chart No. 4



of each of the "lines of east-west movement" on the three maps is the approximate area in which net marketings of livestock equal the slaughter of western packing plants for the particular period shown.



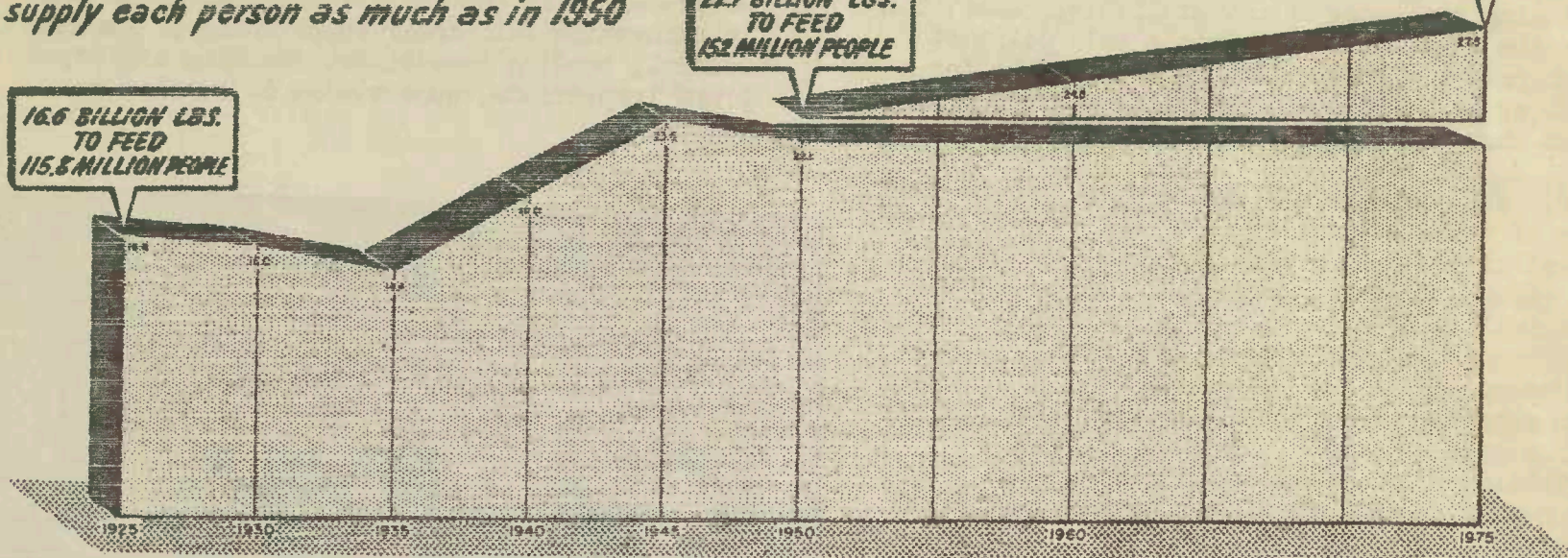
# MEAT PRODUCTION (beef, veal, pork, lamb and mutton)

*5½ billion pounds more needed by 1975  
to supply each person as much as in 1950*

16.6 BILLION LBS.  
TO FEED  
115.8 MILLION PEOPLE

22.1 BILLION LBS.  
TO FEED  
152 MILLION PEOPLE

27.5 BILLION LBS.  
NEEDED TO FEED  
190 MILLION PEOPLE



The 5½ Billion  
Lbs. Increase  
Is Equal To:



1950  
PIG  
CROPS  
OF:



NEBR.

IOWA

PLUS

1950  
COW  
CROPS  
OF:



OKLA.

TEXAS

MINN.

PLUS

1950  
LAMB  
CROPS  
OF:



MONT.

WYO.

NEV.

UTAH



## II. NEW PROBLEMS RESULTING FROM CHANGES IN MARKETING METHODS

A. No market information on price, quality, grade, and supply of livestock at country points, including auctions, is now available. Question: When the terminal market is the only point at which prices are reported, is it possible for a producer to relate such prices to his own livestock when selling at his ranch or farm?

B. With farmers and ranchers doing more and more of their own selling, is their knowledge of market classes and grades, weights, shrinkages, and overall costs of marketing through alternative outlets of a character sufficient to assure full market value for their livestock? Producers should recognize that they are dealing with experts. Country dealers have developed a high degree of skill in judging animals for shrink, quality, and dressing percentage. Producers, on the other hand, are comparatively inexperienced on such subjects, even though they pride themselves as being experts.

C. It may appear that out-of-pocket marketing charges may have been reduced when the producer sells direct, but is cost actually reduced when anticipated costs become a function of the dealer's offering price? If marketing services, such as transportation, and shrinkage are to be assumed by the buyer, such future costs are reflected in the country price.

D. Is there effective competition when only a few buyers appear at out-of-the-way country points and at the smaller auctions?

E. Decentralization of marketing has increased the burden and costs of State and Federal Government. In general, it has meant more work in connection with their supervision of disease control, bonding provisions, checking scales, brand inspections, supervision of auction accounts, etc.





### III. SIZE OF PRODUCTION UNIT FUNDAMENTAL TO BASIC PROBLEM IN MARKETING WESTERN CATTLE

One fundamental problem in marketing is directly associated with production characteristics. Contrary to the opinion of many people, the West is not made up primarily of large ranches. It is true that many large ranches do exist, but the majority of producers have only a small number of cattle to sell each year. It is on the smaller farms that we come face to face with some of our most difficult marketing problems.

With respect to size of unit, according to the 1950 Census of Agriculture, 85% of all farms and ranches in the West had less than 50 head of cattle on January 1; 72% had less than 25 head. To further illustrate this point, according to a recent study by the EAE on commercial family-operated cattle ranches in the Intermountain Region, 60% of the ranches had less than 100 head in their inventory January 1. Remember that these included only ranches on which the major source of income was from cattle.

You say "What does this have to do with marketing?" Simply this: Since marketings average about 40% of the January 1 inventory numbers, it means that most farmers and ranchers in the West have less than a carload of cattle of a particular grade and quality to sell each year.

Carload lots of cattle are still the customarily accepted marketing unit for most buyers in the West. Packers, commission firms, order buyers, dealers, feeders, and others generally plan their buying and selling programs around the carlot unit. Railroads and

commercial trucks and the facilities at stockyards are geared to this unit.

Producers who have less than this standard package to sell suffer in two ways, first, in terms of increased marketing costs, and, second, in price discounts because of lot size. Small shippers frequently have to await their turn for truck and rail and other service during busy shipping seasons.

Selling charges at all markets are usually graduated by size of lot. Sales charges for small lots are more per head; but at all markets there is a tendency to concentrate selling efforts on the larger shipments, the reason being that the time required to sell a carload is, in most cases, not a great deal different than that required to sell a few head.

Since small lots must be concentrated, sorted, and shaped up into salable packages, buyers are not willing to pay as much for small lots as they are for the same grade and class of cattle already assembled in carload lots.



#### IV. SUGGESTIONS FOR IMPROVEMENT

A. More accurate pricing of Western cattle is not only needed but desired from the standpoint of both producers of cattle and consumers of beef. It would make it possible to do more effective research in animal genetics, animal nutrition, and consumer preferences.

A wider use of standard classes and grades of cattle would materially facilitate trading and reduce marketing costs at all levels of the marketing channel. The use of standard class and grade terminology enables the producer and the buyer to accurately describe the product. Marketing standardized products has many advantages over marketing a nonstandardized product. A standardized product makes it possible to buy and sell without the trouble and expense of personal inspection of the goods. Also, it facilitates accurate price comparison and a correct interpretation of market conditions. Example: #1, dark north spring wheat, 13% protein, at Minneapolis, \$2.50 a bushel.

B. If farmers are going to act as their own selling agents for the livestock they produce, then they need to know:

First, the grade and quality of the livestock they have to sell.

Second, costs and comparative costs in the movement of different classes of cattle through different marketing channels. These costs include:

- a. Shrinkage - preshrink cost and cost of regain to original shipping weight. Since shrink is a condition of price under present selling practices, the producer needs to know what actual shrink occurs.
- b. Transportation Costs - by rail or truck through the several alternative channels.
- c. Service and Selling Costs - through the several alternative channels.

C. Under present conditions small producers should investigate possibilities of shipping pools and selling on the basis of graded lots. This could apply regardless of whether cattle are sold at auctions, in the country, or through other market outlets.

D. Further improvement is needed in state laws and enforcement of such laws, to see that producers are adequately protected in the sale of their livestock at auctions on such matters as accurate weights, bonding of auction operator, disease control, and selling charges.





